In the

Supreme Court of the United States.

OCTOBER TERM, 1940.

No. [redacted]

B. B. CHEMICAL CO.,
Petitioner,

v.

ELMER A. ELLIS AND MAGIC TAPE COMPANY,
Respondents.

PETITION FOR WRIT OF CERTIORARI

TO THE CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT

AND

BRIEF IN SUPPORT OF PETITION.

HARRISON F. LYMAN,
C. E. HAMMETT, JR.,
ARNOLD C. ROOD,
Attorneys for Petitioner.

D. SALINGER,
RICHARDSON & NEAVE,
of Counsel.

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PETITION.

B. B. CHEMICAL CO. respectfully prays that a writ of certiorari in due form be issued directed to the Circuit Court of Appeals for the First Circuit to review a judgment rendered by that Court in the above entitled case on February 21, 1941.

The majority opinion of the Court of Appeals appears at Tr. p. 373. The concurring minority opinion of Magruder, J., which concludes with the suggestion that "in view of the differences of opinion that have developed in the lower courts as to the scope and effect of the *Leitch* case, it may be that the Supreme Court will find an early occasion to review the whole subject matter", appears at Tr. p. 383. The case is reported at 117 Fed. (2d) 829.

The jurisdiction of this Court to review said judgment is

conferred by Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925.

STATEMENT OF MATTER INVOLVED.

(1) This is a suit for infringement of Ellis patent No. 1,830,428 (Tr. p. 238). Claim 4 is in suit.

The facts of the case are interesting.

The invention of the patent in suit was made by the defendant Ellis.

The patent was sold by Ellis to the plaintiff for a substantial consideration, $8000.

Through the efforts of the plaintiff the invention was put into substantial use, serving a useful purpose in the industry for which it was designed.

The validity of the patent is admitted, and deliberate infringement by Ellis and his personally owned company, defendant Magic Tape Co., is found to exist.

Defendant claimed immunity for his deliberate infringement on the theory, adopted by the court below, that the doctrine of *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458, and *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27, makes it possible for him to disregard his own patent and perpetrate his infringement with impunity. This claim of immunity under the *Leitch* and *Carbice* cases is made because of the method of doing business employed by the plaintiff, and this although the defendant's own method of doing business is identical with that of the plaintiff.

(2) The Ellis patent in suit is for a process of reinforcing insoles in shoe manufacture, involving the application to the insole, by the use of adhesives, of a reinforcing fabric, such as duck. According to the method disclosed in the patent the reinforcing fabric is coated with a "base" coating of cement having a substantial rubber content; this "base" coating is dried and the precoated duck then slit into proper widths; and, just before the reinforcing operation, a second or "top" coating of adhesive, also containing a relatively

large amount of rubber, is applied to the precoated surface of the duck. The duck, thus provided with a dried "precoat" and a superimposed "top" coat, is then applied, at room temperature, to the insole to be reinforced.*

(3) Validity of the patent is admitted.

> "No question of the validity of the plaintiff's patent is here involved. The defendants admitted its validity. . . ." (Opinion, Tr. p. 377).

Indeed, defendant Ellis testified that the process of the patent is "a great improvement over anything that had been available" previously (Tr. p. 155).

(4) The Court of Appeals, like the District Court, found that defendants had infringed the patent (Tr. p. 378).

(5) Notwithstanding the fact that the Court found that defendants had infringed an admittedly valid patent, relief was denied on the ground that the plaintiff's method of doing business under its patent precluded relief, under the doctrine of *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458 and *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27. In those cases, involving respectively a form of refrigerating transportation package and a method of curing concrete, relief was denied by this Court, it appearing in each case that the plaintiff's course of business with reference to its patent was merely the sale of a staple article of commerce (solid carbon dioxide or "dry ice" in the one case, and bituminous emulsion in the other case), and that the charge of infringement in each case was based solely

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*Claim 4 in suit reads as follows:

"That improvement in methods of reinforcing insoles which comprises applying, at room temperature, to a strip of reinforcing material provided with a dry coating of a cement having a substantial rubber content, a coating of adhesive containing a relatively large amount of rubber and of such a character that it will be effective even when freshly applied to cause quick adhesion of the reinforcing material and the material of the insole, and applying to each other, still at room temperature, a portion of the coated strip and the insole to be reinforced."

upon the fact that the defendant was selling these staple materials with knowledge that the materials were to be used by the purchasers in infringing operations.

Plaintiff's Method of Business.

The plaintiff's method of doing business, because of which relief was denied herein, was stated by the Court of Appeals as follows (Tr. pp. 375-376):

> "The plaintiff's manner of conducting its business was to supply shoe manufacturers with the pre-coated duck in strips of suitable width; if desired, the manufacturers supplied the duck and the plaintiff pre-coated and slit it. The plaintiff also supplied the adhesive top coat to be applied to the pre-coated fabric at the shoe factory, just prior to the application of the reinforcing material to the insole. The plaintiff further supplied its own patented machines suitable for use in applying the adhesive to the pre-coated duck, such machines being and remaining the property of the plaintiff. The plaintiff instructed the machine operators, serviced the machines, and advised and assisted in the reinforcing operations. As compensation for the foregoing, the plaintiff made a single charge to the shoe manufacturer, at a rate per web yard of duck supplied to the manufacturer; and, if the manufacturer did not furnish the duck, the price of that material was added to the charge. The adhesives used by the plaintiff in pre-coating have all had a large rubber content but were made according to different formulae, with special reference to the purpose for which the material was to be used. The plaintiff did not grant written licenses to shoe manufacturers to use its process, nor was any such license ever requested. Neither by notice nor agreement in any form with its customers did the plaintiff require them to use only the plaintiff's material. The plaintiff

adopted the foregoing method of utilizing the patented process because it deemed it the most practical.

"In 1932, the plaintiff gave to the Pepperell Manufacturing Company and to the H-B Products Company licenses to use the patented process on machines and materials using a latex or non-solvent top coat, at room temperature. The commercial practice of these licensees is substantially identical with that of the plaintiff.

"In 1938 the defendant Ellis began to develop and promote a process for reinforcing insoles. The course of business adopted by his corporation followed closely that of the plaintiff."

Thus the plaintiff, the plaintiff's licensees and the defendant all adopted the same method of doing business, and they all adopted it for the same reason, namely, because it was the only practical way of conducting business with this particular subject-matter.

This course of business was held by the Court of Appeals to be exploiting the patent "primarily as a means of suppressing competition in unpatented materials used in connection with it", on the authority of the *Leitch* and *Carbice* cases (Tr. p. 384).

The only reason for this holding and for the denial of relief was the fact that plaintiff had not granted licenses to shoe manufacturers under the patent on a royalty basis, although it was found that no shoe manufacturer had ever requested such a license, although the uncontradicted evidence of plaintiff's sales manager was that shoe manufacturers do not desire to practice the process under the obligations of a royalty-bearing license and could not be expected to take such licenses, and although, as appears from the opinion (Tr. p. 386), counsel for plaintiff at the oral argument stated that plaintiff would be willing to grant such licenses.

The Majority and Minority Opinions Below.

Two opinions were rendered by the Court of Appeals, the majority opinion written by Mahoney, J. and a concurring minority opinion by Magruder, J. Both opinions agreed that relief should be denied on the authority of the *Leitch* and *Carbice* cases, and for the same ultimate reason, to wit, the bare fact that plaintiff has not granted licenses under the patent to shoe manufacturers to practice the patented process on a royalty basis; but the two opinions differ in their interpretation of the *Leitch* and *Carbice* cases.

The majority opinion indicates that the doctrine of those authorities applies only to bar suits against *contributory* infringers, while the minority opinion expresses the view that the applicability of the principle announced by this Court in those cases does not depend upon any distinction between direct and contributory infringement.

The majority opinion says (Tr. p. 379):

> "It is, therefore, necessary to decide whether the defendants are infringers of the plaintiff's claim, and if so, whether they are direct or contributory infringers."

Having held that these defendants are contributory rather than direct infringers, the Court continues (Tr. p. 380):

> "Since the defendants are contributory infringers only, it is obvious that in the light of the decided cases the plaintiff is not entitled to recover."

And the opinion says (Tr. p. 383):

> "All that the plaintiff is entitled to do is to prevent any unlicensed person from combining these materials in the patented process or in aiding indirectly in such infringement",

thus indicating that under the view of the law taken by the majority opinion the plaintiff would not be debarred from enforcing its patent against a direct infringer.

In his concurring opinion Magruder, J. says (Tr. p. 384):

> "It is not clear to me, however, that the case depends upon any distinction between direct and contributory infringement. This distinction is often a shadowy one, as it is in the case at bar. The defendants have certainly participated more directly and intimately in the infringing process than did the defendant in *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458, where all it did was to sell to road contractors a staple unpatented article (bituminous emulsion) with knowledge that a small proportion of it would be used by the infringing contractors in practicing the patented process. Here the defendants are engaged in actively inducing unlicensed shoe manufacturers to practice the process. They furnish to such manufacturers the machines, the pre-coated duck and the adhesive top coat, all especially designed and prepared for this particular use, and, in addition, they furnish 'instruction to operators, servicing of machines, and advice and assistance in reinforcing operations.' Certainly, if the shoe manufacturers as direct infringers would be liable to the plaintiff, ordinary principles of tort liability would require us to hold the defendants liable as joint tortfeasors.
>
> "But in my opinion the doctrine of the *Leitch* case gives immunity to the direct infringer as well as to one who might be called a contributory infringer."

The only criticism of plaintiff's conduct made in either opinion was that plaintiff had not granted licenses under the patent to shoe manufacturers on a royalty basis.

The majority opinion said (Tr. p. 382):

> "It would be perfectly practicable for the plaintiff to grant licenses for the use of its process at a yearly fee, or a royalty based on the number of yards of precoated duck or the number of gallons of top coat used, or any other suitable measure. In that way the plaintiff can

> exploit the patent monopoly, and only the patent monopoly, while leaving the manufacturer free to buy the unpatented materials wherever it is to his best advantage to do so."

The concurring opinion of Magruder, J. said (Tr. pp. 386-387) that plaintiff would be entitled to relief (1) if it had "laid the patent on the shelf", neither practicing the process itself nor licensing others to do so; or (2) if it had practiced the patented process itself in its own plants and sold to shoe manufacturers the reinforced insoles ready for insertion in the shoes; or (3) if it had licensed shoe manufacturers to use the process on a royalty basis, leaving them free to buy the materials from any source.

Of these three alternatives it is evident that the first, "laying the patent on the shelf" would not be in the public interest; as to the second, the Court agrees that "for many reasons it happened not to be feasible", since "as a practical matter the final reinforcement of the insoles, in accordance with the patented process, must be done in the shoe factories" (Tr. p. 386); and as to the third (the grant of licenses to shoe manufacturers), it appears

(a) that no such license was ever requested by a shoe manufacturer (Tr. pp. 79-80);

(b) that

> "At the oral argument before us counsel for the plaintiff stated that the plaintiff would be willing to grant such licenses on a suitable royalty basis" (Tr. p. 386);

and

(c) that the uncontradicted testimony of plaintiff's witness Clifford (Tr. pp. 79, 80) was that shoe manufacturers do not desire to practice this process under the obligations and annoyances of a royalty-bearing license and could not be expected to take licenses.

Defendants' Infringement.

The defendants

> "are engaged in actively inducing unlicensed shoe manufacturers to practice the process. They furnish to such manufacturers the machines, the precoated duck and the adhesive top coat, all especially designed and prepared for this particular use, and, in addition, they furnish 'instruction to operators, servicing of machines, and advice and assistance in reinforcing operations'." (Opinion, Tr. p. 384.)

The machines which are used in applying the top coat belong to defendants (Tr. p. 48) and defendants are responsible for, and profit from, the use made of them.

For these services and materials defendants make a single charge to the shoe manufacturer, at a rate per web yard of duck precoated by them and supplied to the manufacturer (Stip. Tr. p. 48; Opinion, Tr. p. 376).

Defendants' method of doing business is, thus, identical with that of plaintiff (Stip. Tr. p. 48; Opinion, Tr. p. 376).

Defendant Ellis is the patentee under the patent in suit, and sold the patent to plaintiff for $8,000. He and his wife own 24 of the 25 shares of stock of defendant Magic Tape Company (Opinion, Tr. p. 373).

QUESTIONS PRESENTED.

On the foregoing state of facts the following questions are presented, all involving the scope of, and the basis for, the principle announced by this Court in *Leitch* v. *Barber*, 302 U.S. 458 and *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27.

1. Does the applicability of the principle announced in said authorities depend upon the question whether the defendant is a direct infringer of the patent or only a con-

tributory infringer? Is the principle merely a limitation on the doctrine of contributory infringement, or does it impose a penalty—the forfeiture of patent rights—on a patentee for acts or omissions on his part?

2. If the doctrine announced in said authorities applies to bar relief only as against contributory infringers, as indicated by the majority opinion herein, is a defendant merely a contributory infringer for the purposes of that doctrine when his activities are not confined to the bare sale of unpatented materials, but where, as here, he is "engaged in actively inducing unlicensed shoe manufacturers to practice the process", furnishing to such manufacturers "the machines, the precoated duck and the adhesive top coat, all especially designed and prepared for this particular use", and, in addition, furnishing "instruction to operators, servicing of machines, and advice and assistance in reinforcing operations"? (Opinion, Tr. p. 384; *supra*, p. 9).

3. Is it important to the applicability of the principle announced in said authorities that the materials furnished by defendant (like those furnished by plaintiff) for use in accordance with the process, are not staple articles of commerce, although unpatented, but, as here, materials "especially designed and prepared" for use in the process of the patent?

4. Does the principle announced in said authorities bar relief for infringement of a valid patent merely because of a course of business such as that above set forth, the only criticism of that course of business being that the plaintiff has not granted licenses to shoe manufacturers to practice the invention on a royalty basis, it being found that no shoe manufacturer has ever requested such a license, and the uncontradicted evidence being that shoe manufacturers would not wish to operate under such a license?

5. Does the principle aanounced in said authorities apply to bar recovery for an infringement of a valid patent where there is no finding, and no evidence to indicate, that the

course of business pursued by the plaintiff has been effective "to substantially lessen competition or tend to create a monopoly in any line of commerce" (Clayton Act, Sec. 3, U.S.C. Title 15, Sec. 14)?

6. Does the principle of said authorities bar relief in the absence of any finding or proof of intent on the part of the plaintiff to obtain a monopoly or suppress competition in unpatented materials? In the present case there is no such finding or evidence, and it is found (Opinion, Tr. p. 376) that

> "Neither by notice nor agreement in any form with its customers did the plaintiff require them to use only the plaintiff's material. The plaintiff adopted the foregoing method of utilizing the patented process because it deemed it the most practical."

7. If the principle of said authorities applies to bar recovery on the fact situation here presented, how can a patent owner in this situation amend his method of doing business in such a way as to remove the bar?

Plaintiff has stated in open court that it would be willing to grant unrestricted licenses to shoe manufacturers on a suitable royalty basis (Opinion, Tr. p. 386); but the uncontradicted evidence of plaintiff's sales manager Clifford is that shoe manufacturers can not be expected to take such licenses. If shoe manufacturers decline to accept such licenses, must plaintiff, in order to be able to enforce its patent rights, adopt the alternative of "laying the patent on the shelf" and refrain in future from supplying to shoe manufacturers materials, machines or services for use in the practice of the process, it appearing that there is no feasible third course?

REASONS RELIED ON FOR THE ALLOWANCE OF THE WRIT.

The reasons advanced for allowance of the writ are (a) that by interpreting the principle announced in *Leitch* v. *Barber* and *Carbice* v. *American Patents Development Corp.*, *supra*, as applying to the fact situation here presented, the Court of Appeals has decided an important question of federal law which has not been, but should be, settled by this Court; and (b) that numerous decisions of the lower courts rendered since the *Leitch* and the *Carbice* cases were decided by this Court, have interpreted those decisions in conflicting ways (*infra*, pp. 18-21), and it is important that the principle upon which they are based should be clarified, and its true scope settled by this Court.

The majority opinion herein refers to conflicting decisions in the Second Circuit and the Ninth Circuit and disagrees with the decision in the Ninth Circuit, saying (p. 383):

> "For this reason we cannot agree with the limitation expressed in *Johnson Co.* v. *Philad Co.*, *supra*."

Judge Magruder in his opinion concurring in the result, but not in the view of the *Carbice* and *Leitch* cases adopted in the majority opinion, said (Tr. p. 390):

> "I agree that on the decided cases the decree below should be affirmed. However, in view of the differences of opinion that have developed in the lower courts as to the scope and effect of the *Leitch* case, it may be that the Supreme Court will find an early occasion to review the whole subject matter."

Respectfully submitted,

B. B. CHEMICAL CO., *Petitioner*,
by HARRISON F. LYMAN,
C. E. HAMMETT, JR.,
ARNOLD C. ROOD,
Attorneys for Petitioner,
84 State Street, Boston, Massachusetts.

BRIEF IN SUPPORT OF PETITION.

THE SUPREME COURT DECISIONS.

The decision of the Court of Appeals was based upon its view that, although defendants have infringed an admittedly valid patent, relief must be denied on the authority of *Carbice Corp. of America* v. *American Patents Development Corp.*, 283 U.S. 27 and *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458.

In the *Carbice* case the patent was for a form of refrigerating transportation package, one element of the combination claimed being solid carbon dioxide ("dry ice").

In the *Leitch* case the patent was for a method of curing concrete which involved the use of bituminous emulsion.

Solid carbon dioxide and bituminous emulsion are both staple unpatented materials, in general use for many purposes.

In both cases the sole business of the plaintiff, so far as the patents in suit were concerned, was the manufacture and sale of these unpatented staple materials, in one case "dry ice" and in the other case bituminous emulsion.

In both cases the charge of infringement was based solely upon the fact that the defendant sold this unpatented staple material with the knowledge that it was to be used in making the infringing combination or performing the infringing method. The charge was, of course, contributory infringement only, and not direct infringement, since the defendants in no way participated in the operations of their vendees.

In both cases the Court denied relief.

There can, of course, be no question now as to the propriety of the actual decisions in those cases; but the opinions have left the basis of the decisions so uncertain that

there has been much conflict in the lower courts in attempting to apply the principle.

Certain passages of the opinions in each case indicate that this Court was merely defining a limitation on the doctrine of contributory infringement.

Thus, in the *Carbice* case the Court said (283 U. S. at p. 33):

> "Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly; and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used."

Likewise, in the *Leitch* case the Court stated the question to be decided as one of contributory infringement, saying (302 U. S. at p. 459):

> "The question for decision is whether the owner of a process patent may by suit for contributory infringement suppress competition in the sale of unpatented material to be used in practicing the process."

And the Court continued (p. 461):

> "That the patent did not confer upon The Barber Company the right to be free from competition in supplying unpatented material to be used in practicing the invention was settled by the rule declared in the *Carbice* case. That suit was likewise one to enjoin an alleged contributory infringer."

But other passages in these opinions have been interpreted by lower courts as indicating that the decisions were based not upon lack of infringement—not, that is to say, upon a "limitation inherent in the patent grant", but upon misconduct on the part of the plaintiff. Thus, in the *Leitch* case the Court said (p. 463) that relief had been denied in the *Carbice* case

"on the broad ground that the owner of the patent monopoly, ignoring the limitation 'inherent in the patent grant', sought by its method of doing business to extend the monopoly to unpatented material used in practicing the invention. By the rule there declared every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited."

It is these ambiguities which have caused the "differences of opinion that have developed in the lower courts as to the scope and effect of the *Leitch* case" to which Judge Magruder refers in his opinion herein (Tr. p. 390), and which are also responsible for the difference in view between the majority opinion and the concurring minority opinion herein (*supra*, pp. 6-8).

PROPERLY READ, THE LEITCH AND CARBICE DECISIONS MERELY LIMIT THE DOCTRINE OF CONTRIBUTORY INFRINGEMENT — THEY DO NOT IMPOSE PENALTIES ON A PATENTEE FOR MISCONDUCT.

If the *Leitch* and *Carbice* decisions are regarded as holding that the owner of a patent for a combination or a method has no right, by virtue of his patent, to prevent another from merely selling a staple, unpatented material, even though the vendor knows that the material is to be used by his vendee in the manufacture of the patented combination or in carrying on the patented method, then, obviously, the rule announced is a mere interpretation of the patent law, which is, of course, within the province of the Court; and by these decisions the Court gave an authoritative answer to a question which had theretofore been a matter of uncertainty in the patent law.

Interpreted in this way the decisions merely define a limitation on the law of contributory infringement of patents, and their principle would not be applicable in a case where the defendant was a direct infringer, or contributed to acts

of infringement by another otherwise than by merely selling unpatented materials.

This interpretation is entirely adequate to explain both decisions.

But if the decisions in the *Carbice* and *Leitch* cases were to be taken as going farther than this, and as barring a patentee from enforcement of his patent rights against an infringer merely because of an assumed misconduct on his, the patentee's, part, then, we respectfully submit, the decisions would have to be regarded as initiating an entirely novel doctrine, which subjects a patentee to a penalty for which there is no basis in the patent law or in the law generally.

The Patent Act gives an inventor of a new machine, process or composition of matter a legal monopoly. If the Court refuses to enforce this monopoly because of some act or omission on the part of the patent owner, it nullifies the grant; it writes into the patent law a limitation on the rights of patentees for which there is no justification in the Patent Act.

Such a ruling would be, moreover, contrary to general legal principles.

Infringement of a patent is a tort, as this Court said in the *Carbice* case (283 U.S. at p. 33). A departure from the principle that a man does not become a prey to tort feasors merely because he is, himself, guilty of illegal or improper conduct,* would involve anomalous results, among others the result that the penalty imposed upon him for his offense does not fit, and is not commensurate with, the offense.

Accordingly, the courts have uniformly held that the fact that a patentee has been guilty of violation of the Anti-Trust Laws does not justify an infringement of his patent

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**Coca-Cola Co.* v. *Koke Co.*, 254 U.S. 143, 145; *Youngs Rubber Corp.* v. *C. I. Lee & Co.*, 45 F. (2d) 103, 109 (C.C.A. 2d).

rights, and is no defense to a suit for patent infringement.* We cannot think that this Court intended, in the *Carbice* and *Leitch* cases, to overrule this line of cases.

If the *Carbice* and *Leitch* decisions were to be read as holding that a patentee is debarred from enforcing his rights under his patent against an infringement thereof merely because of acts or omissions on his part in his exploitation of the patent, we respectfully submit, then, that they could not be justified under the patent law, or under general legal principles; and we think that if any passages of the opinions in these cases are susceptible of such interpretation, they should be considered as *obiter dicta*.

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*"The fact that a corporation is part of an illegal combination or trust cannot justify the spoliation of the property which belongs to it by third persons." *Brown Saddle Co.* v. *Troxel*, 98 Fed. 620, 621.

"It is well settled by a long line of decisions that it is no defense to a bill for alleged infringement of a patent that plaintiffs have entered into a combination or conspiracy among themselves or with third parties to violate the anti-trust laws of the United States." *Radio Corp. of America* v. *Majestic Distributors*, 53 Fed. (2d) 641, 642.

"The action is clearly for infringement of patent rights, and many decisions cited in plaintiff's brief are unanimous in holding that violations of the anti-trust laws in a patent suit for infringement are not a proper defense." *Western Electric Co.* v. *Wallerstein*, 48 Fed. (2d) 268, 269.

". . . even if the agreements made by the owner with the licensee should be held to be in violation of the Anti-Trust Acts . . . , the owner by making such agreements did not become an outlaw whose property could be despoiled by third persons, but that would be the effect of permitting a continued infringement (if such there be) of patents legally granted. . . ." *Radio Corp.* v. *Duovac Radio Tube Corp.*, 6 Fed. Supp. 275, 277.

"It is well settled by abundant authority that this defense [illegal combination of plaintiffs in restraint of trade] is not open to the defendants in this action. It would be idle in view of this to review the reasoning in the cases upon which this conclusion is based. . . ." *Buck* v. *Newsreel, Inc.*, 25 Fed. Supp. 787, 789.

Numerous other cases on the point are cited in the decision last above quoted.

We respectfully submit that the true ground of these decisions was the "limitation inherent in the patent grant", to which the Court referred, and not a forfeiture of rights due to the plaintiff's conduct.

But, however that may be, it is plain that the meaning and limits of the doctrine of these cases should no longer be left in the present state of confusion, but should be clearly set forth and defined by this Court, so that the lower courts, the legal profession, and patentees may know what the law on the subject is.

CONFLICTING LOWER COURT DECISIONS.

Judge Magruder in his opinion herein refers (Tr. p. 390) to "the differences of opinion that have developed in the lower courts as to the scope and effect of the *Leitch* case".

We review here all the Court of Appeals decisions known to us pertaining to this subject matter which have been rendered since the decision of this Court in the *Leitch* case.

Some Courts of Appeals have taken the view that the doctrine of the *Carbice* and *Leitch* cases is a mere limitation on the doctrine of contributory infringement (*J. C. Ferguson Mfg. Works* v. *American Lecithin Co.*, 94 Fed. (2d) 729 (C.C.A. 1st); *Philad Co.* v. *Lechler Laboratories*, 107 Fed. (2d) 747 (C.C.A. 2nd); *Johnson Co.* v. *Philad Co.*, 96 Fed. (2d) 442 (C.C.A. 9th)).

In this group belongs the majority opinion in the present case.

But decisions of this class differ among themselves as to the *nature of the limitation* on the doctrine of contributory infringement which they assume to be the effect of the *Carbice* and *Leitch* decisions. In the *J. C. Ferguson Mfg. Works* case, *supra*, the Court in the First Circuit indicated that a patent owner could no longer, under the doctrine of contributory infringement, monopolize the sale of "unpatented staple material"; and in the *Johnson* case *supra* the Court

in the Ninth Circuit held the doctrine not applicable where the contributory infringement complained of was the sale of devices which were not staple articles, but were especially designed and intended for use in the patented process.

On the other hand, the Court in the Second Circuit in the *Philad* case, *supra*, said (p. 748) that

> "On contributory infringement the distinction at present is between the case where an owner of a patent exploits it in the ordinary manner and the case where he employs it primarily as a means of suppressing competition in unpatented materials used in connection with it."

The view here expressed by the Court of Appeals for the Second Circuit is the view expressed in the majority opinion in this case.

This appears to us to be a particularly illogical interpretation of the Supreme Court decisions. If those decisions are based, as is assumed according to this view, on a limitation on the doctrine of contributory infringement, it is difficult to see what the plaintiff's conduct has to do with the matter. If, on the other hand, they mean that a patentee is debarred from relief because of assumed misconduct on his part, there appears to be no reason why he should not be debarred from suing a direct infringer as well as from suing a contributory infringer.

Other Court of Appeals decisions have held the doctrine of the *Carbice* and *Leitch* cases not limited to cases of alleged contributory infringement, but applicable to cases of direct infringement. Such decisions include *Barber Asphalt Corp.* v. *La Fera Grecco Contracting Co.*, 116 Fed. (2d) 211 (affirmed on rehearing, Goodrich, J. dissenting, 116 Fed. (2d) 216, C.C.A. 3rd); *American Lecithin Co.* v. *Warfield*, 105 Fed. (2d) 207 (C.C.A. 7th); *Dehydrators, Ltd.* v. *Petro-*

lite Corp., Ltd., 117 Fed. (2d) 183 (C.C.A. 9th); *G. S. Suppiger Co.* v. *Morton Salt Co.*, 117 Fed. (2d) 968 (C.C.A. 7th).

Decisions of this sort appear to us to misinterpret the Supreme Court decisions, for the reasons stated above (pp. 15-18).

These decisions are, moreover, not mutually consistent. In the *Suppiger* case the Court in the Seventh Circuit held that the plaintiff is not to be debarred from relief unless there be factual proof, such as would be required to show violation of the Clayton Act, establishing the fact that the effect of his conduct had been "to substantially lessen competition or tend to create a monopoly". No such restriction on the doctrine had been stated by other courts, or applied by the other courts adhering to this view.

And in the *Dehydrators* case, which involved the sale of "a well-known article of commerce", as distinguished from the *Johnson Co.* v. *Philad Co.* case, the Court in the Ninth Circuit went so far as to debar a patentee from relief notwithstanding the fact that it was stipulated that the plaintiff had, since 1933, offered to license anyone to use the patented process upon reasonable terms, the licensee being free to purchase his materials from any source (117 Fed. (2d) at p. 185).

The confusion of the lower courts is indicated, not only by these differences among the Courts of Appeals, but also by District Court decisions which have not come before the appellate courts.* In fact, four of the seven appellate deci-

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*In *Duart Mfg. Co.* v. *Philad*, 30 Fed. Supp. 777 the District Court of Delaware was dealing with a suit for declaratory judgment brought by a licensee under the hair waving patent involved in the *Philad* cases above. The Court was unable to help the licensee out of his dilemma because of the two conflicting decisions. It said (p. 779):

> "The California court holds that manufacturers of utensils are contributory infringers and the New York court holds that they are not infringers. *Where there is such diversity of ruling the Supreme Court alone can settle the controversy.*"

sions above mentioned were reversals of District Court decisions, in which the District Courts had taken opposite views as to the effect of the *Carbice* and *Leitch* decisions.

THE DECISION IN THE PRESENT CASE INVOLVES AN UNWARRANTED EXTENSION OF THE RULE OF THE LEITCH AND CARBICE CASES, HOWEVER THAT RULE BE INTERPRETED.

The decision of the Court of Appeals in this case purports to be based upon the *Leitch* and *Carbice* cases. We respectfully submit that the decision misapplies and unwarrantably extends the decisions in those cases, however those decisions be read.

There are most important differences between the present case on the one hand and the *Leitch* and *Carbice* cases on the other hand, both with respect to the actions of the *defendant* and with respect to the actions of the *plaintiff*.

(1.) With reference to the *defendant's* acts, the differences are the following:

(a) In the *Leitch* and *Carbice* cases the only acts of defendant were mere sales of unpatented material—bituminous emulsion in the *Leitch* case and solid carbon dioxide in the *Carbice* case. The defendants had no connection with,

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(Footnote continued):

In *Celanese Corp.* v. *Ribbon Narrow Fabrics Co.*, 33 Fed. Supp. 137 (D.C.S.D.N.Y.) the Court, after citing the *Carbice* and *Leitch* cases and holding that they did not apply to the case in hand, said (p. 140):

> "It is asserted that the owner of a patent loses the right to enforce it when it appears that the patent was used to create a limited monopoly in something different from that which was claimed as the invention of the patent. These authorities make no such broad holding. . . . The defendant is not a licensee, nor is the defendant charged here with contributory infringement. In this case the defendant is charged with direct infringement in dealing not with unpatented process or product, but on the contrary with those asserted to be covered by the patent in suit."

and did not participate in any way in, the acts of infringement performed by their vendees.

In the present case, the contrary is true.

> "The defendants have certainly participated more directly and intimately in the infringing process than did the defendant in *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458, where all it did was to sell to road contractors a staple unpatented article (bituminous emulsion). . . .
>
> "Here the defendants are engaged in actively inducing unlicensed shoe manufacturers to practice the process. They furnish to such manufacturers the machines, the precoated duck and the adhesive top coat, all especially designed and prepared for this particular use, and, in addition, they furnish 'instruction to operators, servicing of machines, and advice and assistance in reinforcing operations'. Certainly, if the shoe manufacturers as direct infringers would be liable to the plaintiff, ordinary principles of tort liability would require us to hold the defendants liable as joint tortfeasors." (Opinion of Magruder, J., Tr. p. 384).

To this statement should be added the fact that the top coating of the duck is performed on machines owned by defendants (Tr. p. 48). Defendants thus continue to profit from the use that is made of their machines, and they actually advise and assist in the infringing operation.

(b) In the *Leitch* and *Carbice* cases the materials sold by defendants were not only unpatented, but *staple* articles of commerce, having many other uses than an infringing use.

In the present case the precoated duck, the adhesive top coat, and the machines are not staple articles of commerce, but "all especially designed and prepared for this particular use" (Opinion, Tr. p. 384).

If, then, the rule of the *Leitch* and *Carbice* cases is, as we

think it to be, merely a limitation on the doctrine of contributory infringement, holding that doctrine not applicable as against one who merely sells unpatented materials to be used in infringement, it is evident that the *Leitch* and *Carbice* cases do not govern the present case; and this is true whether the doctrine is confined to the sale of staple materials or applies also to non-staple materials.

(2.) With reference, now, to *plaintiff's* acts, the differences between the *Leitch* and *Carbice* cases and the present case include the following:

(a) In the *Carbice* case the patent owner notified its customers that containers or apparatus provided or approved by it should be refrigerated or used only with its "dry ice". It, thus, sought, by indirection, to accomplish the same thing as a "tying clause" contained in a license or lease for a machine, requiring the licensee or lessee to use only supplies obtained from the patent owner or lessor.

In the *Leitch* case one of the facts "proved or admitted", as the Court said (302 U.S. at p. 460), was that the Barber Company

> "acquired the process patent sued on, and seeks to use it to secure a limited monopoly in the business of producing and selling the bituminous material for practicing and carrying out the patented method."

And the Court said (p. 461) that "the sole purpose to which the patent is put is thereby to suppress competition in the production and sale of staple unpatented material for use in road building".

In the present case no such facts are presented. There is no slightest evidence of intent on the part of plaintiff to use its patent to suppress competition in the sale of any material whatever; and the only basis upon which the Court made its ruling that plaintiff "exploits its patent primarily as a means of suppressing competition in unpatented materials

used in connection with it" (Opinion, Tr. p. 383) was the fact that plaintiff has granted no licenses to shoe manufacturers to practice the invention on a royalty basis, which fact is explained by the express finding (Tr. p. 376) that no shoe manufacturer has ever requested such a license, as well as by the undisputed evidence that shoe manufacturers would not wish to operate under such licenses (*supra*, p. 8).

Judge Magruder in his concurring opinion in this case (Tr. p. 388) said that it was urged in plaintiff's brief in the *Leitch* case in this Court that plaintiff was "not shown to have refused to grant any license under the patent". However that may be, this Court found, as among the facts "proved or admitted" in that case, that the plaintiff "acquired the process patent sued on, and seeks to use it to secure a limited monopoly in the business of producing and selling the bituminous material for practicing and carrying out the patented method", and that "the sole purpose to which the patent is put" was to suppress competition in the production and sale of such material.

(b) In the *Carbice* and *Leitch* cases the patent owners did nothing whatsoever by way of putting their patents into use. Their sole activity in connection therewith was to sell unpatented materials, "dry ice" and bituminous emulsion. They, thus, sought to derive their profits, not from the use of the inventions on which the law gave them monopolies, but from the mere sale of unpatented materials; and the Court in its decision in the *Carbice* case (283 U.S. at p. 34) distinguished that case from *Leeds & Catlin* v. *Victor Talking Machine Co.*, 213 U.S. 325, on that ground;

> "There was no suggestion that the Victor Company, which itself manufactured and sold the patented product, sought 'to derive its profits, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used'."

In the present case the plaintiff participates in the operation of the patented process to the full extent that the nature of the process permits.

It carries on at its own factory two of the steps of the process disclosed in the patent preparatory to those recited in the claim in suit, namely the precoating of the duck and the slitting of the precoated duck; and, through its experts and service men, it advises and assists the shoe manufacturers in performing those steps of the process which must, in the nature of the case, be performed at the shoe factory (Opinion, Tr. pp. 375, 376, 387).

Plaintiff is thus participating with the shoe manufacturers in the practice of the patented process, and deriving its profits not from the mere sale of unpatented material, but from the invention on which the law gives it a monopoly.

Thus, the *Carbice* and *Leitch* cases, however read, are by no means determinative of the questions here presented; and in barring plaintiff from relief on the facts here presented, the Court of Appeals, although purporting to apply the principle announced in those cases, in fact went far beyond anything therein decided. The proper administration of the patent law requires, we respectfully submit, a decision by this Court as to whether the doctrine of the *Carbice* and *Leitch* cases was properly applied in this case.

THERE IS HERE NO FINDING AND NO EVIDENCE TO INDICATE THAT PLAINTIFF'S CONDUCT HAS "SUBSTANTIALLY LESSENED COMPETITION" IN ANY UNPATENTED ARTICLE.

Question numbered 5 in the petition, above, pages 10-11, raises the issue whether the doctrine of the *Carbice* and *Leitch* cases, if interpreted as barring relief on account of a patentee's conduct, applies to bar relief in the absence of a finding, or of proof, that the course of business pursued by the plaintiff has been effective "to substantially lessen competition or tend to create a monopoly in any line of

commerce", which is a prerequisite to violation of the Clayton Act (Sec. 3, U.S.C. Title 15, Sec. 14).

Certainly it would seem that there can be no good reason for grafting upon the patent law a condition barring enforcement of patents which is *more onerous* than the provisions of the Clayton Act in this regard. The Court of Appeals for the Seventh Circuit has so recognized in its recent decision in *G. S. Suppiger Co.* v. *Morton Salt Co.*, 117 Fed. (2d) 968 (*supra*) where, the District Court having sustained a motion for summary judgment against a patentee on the authority of the *Leitch* and *Carbice* cases, the Court of Appeals reversed because of the lack of evidence that the plaintiff by its course of business had in fact acquired any monopoly.

In the present case there is no finding, and no evidence to indicate, that the course of business pursued by the plaintiff has resulted in the acquisition of any monopoly or partial monopoly in any unpatented material whatsoever, or that it has had any tendency to lessen competition in any such material.

CONCLUSION.

We respectfully submit that the questions presented by this petition (*supra*, pp. 9-11) are highly important questions of patent law which have not been but should be settled by this Court; that the decision of the Court of Appeals in the present case is not justified by the *Leitch* and *Carbice* cases upon which it purports to be based, but is an extension of the doctrine there stated which is unwarranted in law; that uncertainty as to the true meaning of said decisions has resulted in conflicting decisions of the lower courts and a general state of confusion, of which an example is the difference between the majority and minority opinions herein; and that the writ should be granted in this case in order that this Court may review the whole subject matter and resolve the "differences of opinion that have developed in the lower

courts" to which the minority opinion herein (Tr. p. 390) refers.

Respectfully submitted,

HARRISON F. LYMAN,
C. E. HAMMETT, JR.,
ARNOLD C. ROOD,
Attorneys for Petitioner.

A. D. SALINGER,
FISH, RICHARDSON & NEAVE,
of Counsel.